

Message Text

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ACTION EB-07

INFO OCT-01 AF-08 ISO-00 FEA-01 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05 L-03 LAB-04
NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04
ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 IO-13
ARA-06 EA-07 EUR-12 NEA-10 IGA-02 MC-02 ACDA-07 /142 W
-----061027Z 089775 /16

R 060800Z JAN 77

FM AMEMBASSY MBABANE
TO SECSTATE WASHDC 0898
AMCONSUL JOHANNESBURG
AMEMBASSY PRETORIA
INFO AMEMBASSY GABORONE
AMEMBASSY MASERU

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PRETORIA AND JOHANNESBURG FOR ECON/COMMERCIAL SECTIONS

E.O. 11652: N/A

TAGS: ETRD, MTN, WZ

SUBJECT: MTN: US NEGOTIATING OBJECTIVES

REF: 76 STATE 308918

1. SUMMARY: OWING TO EXTREMELY SMALL DOMESTIC MARKET,
SOUTH AFRICAN DOMINANCE OF SWAZI ECONOMY, AND NATURE
OF SOUTHERN AFRICA CUSTOMS UNION, SWAZILAND'S ABILITY
TO MAKE MEANINGFUL CONTRIBUTION TO ANY MTN IS VITUALLY
NIL. END SUMMARY.

2. SWAZILAND IS MEMBER OF SOUTHERN AFRICA CUSTOMS UNION,
TOGETHER WITH SOUTH AFRICA (RSA), BOTSWANA, AND LESOTHO.
CUSTOMS DUTIES ARE SET BY SOUTH AFRICAN GOVERNMENT IN
CONSULTATION WITH OTHER THREE STATES AND CUSTOMS RECEIPTS

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ARE SHARED ON FORMULA AGREED IN 1969. SOUTH AFRICAN
GOVERNMENT CLAIMS THAT DIVISION OF CUTOMS RECEIPTS IS
WEIGHTED IN FAVOR OF BLS STATES, WHILE LATTER HAVE
RECENTLY BEGUN EXPRESSING DOUBTS ABOUT EQUITY OF DIVISION.
NO DEFINITIVE ASSESSMENT IS AVAILABLE BUT IS VERY LIKELY
THAT, OVERALL, UNION AIDS RATHER THAN HURTS BLS STATES.
(CURRENT SWAZI UNHAPPINESS WITH CUSTOMS AGREEMENT IS FAR

MORE LIKELY CAUSED BY SLUGGISH, INFLATION-BESET SOUTH AFRICAN ECONOMY THAN BY FUNDAMENTAL DISAGREEMENT OVER CUSTOMS UNION FORMULA.)

3. US FIRMS HAVE VIRTUALLY NO DIRECT SALES IN SWAZILAND. THE LARGE NUMBER OF AMERICAN BRAND-NAMES AVAILABLE LOCALLY ARE MARKETED ENTIRELY BY SOUTH AFRICAN SUBSIDIARIES OR LICENSEES OF US FIRMS. HIGHLY IMPROBABLE THAT US COULD SUBSTANTIALLY INCREASE DIRECT SALES TO SWAZILAND. POPULATION OF COUNTRY IS APPROXIMATELY HALF MILLION, OF WHOM PERHAPS ONLY HALF INTERACT WITH MONEY ECONOMY TO ANY EXTENT. THIS TINY MARKET IS EASILY SERVICED BY MAJOR SOUTH AFRICAN INDUSTRIAL/COMMERCIAL CENTERS, WHICH HAVE EXCELLENT TRANSPORTATION NETWORKS AND MODERN, EFFICIENT PRODUCTION AND DISTRIBUTION SYSTEMS.

4. GOS OFFICIALS ARE PAINFULLY AWARE THAT COUNTRY'S ECONOMIC HEALTH AND STABILITY ARE DEPENDENT ON RSA. THEY HAVE CONSISTENTLY AND FORCEFULLY EXPRESSED DESIRE FOR INCREASED US INVESTMENT AND TRADE, HOWEVER, AS COUNTERVAILING FORCE TO RSA'S ECONOMIC DOMINANCE.

5. NO NON-TARIFF OBSTACLES EXIST TO INCREASING US TRADE WITH SWAZILAND, NOR ARE THERE ANY GOS TRADE POLICIES OR PRACTICES THAT DISCRIMINATE AGAINST US TRADE.

6. AS INDICATED ABOVE, POTENTIAL AREAS FOR INCREASED DIRECT US TRADE WITH SWAZILAND ARE LIMITED. GIVEN LIMITED OFFICIAL USE

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PROXIMITY AND EFFICIENCY OF SOUTH AFRICAN DISTRIBUTION NETWORK, US MUST CONCENTRATE ON AREAS IN WHICH IT HAS CLEAR TECHNOLOGICAL OR CAPITAL ADVANTAGE, INCLUDING FOLLOWING:

A. TELECOMMUNICATIONS EQUIPMENT. GOS HAS CONSISTENTLY ATTEMPTED TO UPGRADE ITS TELECOMMUNICATIONS SYSTEM BUT HAS BEEN STYMIED BY SOUTH AFRICA'S REFUSAL TO INSTALL COMPATIBLE MODERN EQUIPMENT, SO THAT THE TWO COUNTRIES' SYSTEMS CAN REMAIN EFFECTIVELY TIED TOGETHER. GOS HAS INVESTIGATED ALTERNATIVE, SMALLER-SCALE METHODS OF IMPROVING ITS COMMUNICATIONS SYSTEM.

B. COMPUTERS. GOS AND PRIVATE FIRMS IN SWAZILAND HAVE ALREADY MADE AN IMPRESSIVE BEGINNING IN BRINGING SWAZILAND INTO COMPUTER AGE. GOS OFFICIALS ARE AWARE OF NEED FOR INCREASED COMPUTERIZATION AND HAVE EXPRESSED WILLINGNESS TO INVEST.

C. MINING. IN ADDITION TO ACTIVE ASBESTOS AND IRON ORE MINES, SWAZILAND HAS GREAT POTENTIAL FOR DEVELOPMENT OF KNOWN COAL, DIAMOND, AND BARITE DEPOSITS AND LESS BUT PROVEN POTENTIAL FOR ZINC AND GOLD. AS SWAZILAND STEPS UP EXPLOITATION OF MINERAL DEPOSITS, US FIRMS SHOULD HAVE AN EDGE IN SELLING THEIR HIGHLY SOPHISTICATED EXTRACTION PROCESSES.

D. TOURISM. TOURISM IS ONE OF SWAZILAND'S LARGEST REVENUE PRODUCERS DESPITE FACT THAT GOS HAS DONE VIRTUALLY NOTHING TO PROMOTE OR DEVELOP ITS CONSIDERABLE POTENTIAL. US-OWNED HOTEL AND RECREATION-ORIENTED FIRMS, BY INVESTING DEVELOPMENT CAPITAL, COULD PLAY DOMINANT ROLE IN EXPANDING SWAZI TOURIST TRADE.

E. AGRICULTURAL PRODUCTION AND RURAL DEVELOPMENT. WHILE GOS WOULD LIKE TO INCREASE ITS YIELD AND TO PROCESS LARGER LIMITED OFFICIAL USE

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SHARE OF ITS AGRICULTURAL PRODUCTS, OPPORTUNITY FOR DIRECT US SALES IN THIS AREA ARE LIMITED BECAUSE OF AVAILABILITY OF SOUTH AFRICAN MACHINERY. HOWEVER, GOS NEEDS TECHNOLOGICAL ASSISTANCE WHICH US CAN OFFER.

F. ARMS. GOS FEELS THREATENED BY RADICAL MOZAMBIQUE ON ONE BORDER AND BY DETERIORATING SITUATION IN RSA ALONG OTHER BORDER. REACTING TO THESE THREATS, AND ALSO FOR PRESTIGE REASONS, GOS IN PROCESS OF CREATING SMALL ARMY AND TRAINING LARGER RESERVE FORCE. GOS MAY BE INTERESTED IN PURCHASING ARMS FROM US.

7. GOS'S ABILITY TO MAKE ANY MEANINGFUL CONTRIBUTION TO MTN IS VERY LIMITED, OWING TO EXTREMELY SMALL VOLUME OF US TRADE AND TO STRUCTURE OF SOUTHERN AFRICA CUSTOMS UNION. SINGLE AREA IN WHICH GOS ACUTELY SENSITIVE IS SUGAR EXPORTS. SWAZILAND SHIPS BETWEEN 30,000 AND 40,000 TONS OF CANE SUGAR TO US ANNUALLY UNDER GSP, AND IS VERY EAGER TO PROTECT ITS SHARE OF US MARKET. SWAZILAND HAS BEEN RELIABLE SUGAR SUPPLIER, OFTEN SELLING SUGAR TO US BELOW WORLD MARKET PRICES IN ORDER TO PROVE ITS RELIABILITY.

8. FOR PRETORIA AND JOHANNESBURG: WELCOME ANY COMMENTS OR OTHER INPUT TO FOREGOING.
WACHOB

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
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Control Number: n/a
Copy: SINGLE
Sent Date: 06-Jan-1977 12:00:00 am
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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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